GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1689
ANSWERED ON:09.03.2007
VAT ON ESSENTIAL COMMODITIES
Ahir Shri Hansraj Gangaram

Will the Minister of FINANCE be pleased to state:

(a) whether despite implementation of VAT system in the country, taxes with regard to essential commodities are not uniform;

(b) if so, whether any guidelines have been issued to the State Governments to apply uniform taxes on essential commodities under the VAT system in the country;

(c) if so, the details thereof;

(d) whether the Government proposes to abolish VAT on the essential commodities; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): An Empowered Committee of State Finance Ministers (EC) has been constituted to deliberate upon and make recommendations on various issues concerning State VAT. The EC has finalised the design of VAT including the structure of tax rates for various commodities, under which most of the essential commodities have either been exempted from VAT or have been put in the category of 4% VAT rate. The tax structure recommended by the EC is generally followed by the States, although there may be some instances of deviations.

(b) to (e): State VAT, being a tax on purchase or sale of goods within a State, is a State subject by virtue of Entry 54 of the State List of Seventh Schedule of the Constitution. Since VAT is a State subject, any decision regarding implementation of uniform tax rates or regarding abolition of VAT on essential commodities can only be taken by the concerned State Governments.